

Mary J. Blige

No More Retroactive Copyright Licensing Drama

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In an important decision interpreting the rights of co-owners under the Copyright Act, the U.S. Court of Appeals for the Second Circuit recently ruled in *Davis v. Blige*¹ that an action for infringement by one co-owner of a copyrighted work cannot be defeated by a retroactive transfer of copyright ownership from another co-owner to the alleged infringer. Deciding an issue “of first impression in the courts of appeals,” Judge José A. Cabranes, writing for a unanimous three-judge panel, concluded that a co-owner cannot grant a retroactive license or transfer of copyright to an infringer to eliminate accrued causes of action held by a nonparty co-owner, because to do so would extinguish the valuable right of the co-owner to sue for infringement.

CO-OWNERSHIP GENERALLY

Co-ownership of a copyrighted work is common, especially in the case of musical compositions created by multiple authors, including the person who wrote the music (the composer) and the person who wrote the words (the lyricist). Each is considered a co-owner of the entire work, with an undivided interest in the whole.²

The issue of when one co-owner may bind another has been the subject of extensive litigation. The general rule is that a co-owner of a copyrighted work may unilaterally grant a nonexclusive license without the permission—and even over the objection—of the other co-owner, as long as he or she accounts to the co-owner for any profits earned under the license.³ If a co-owner grants an individual a license to use the copyrighted work, that license immunizes the person from liability to the other co-owner for future copyright infringement. A co-owner may not, however, grant an exclusive license without consent of all other owners.⁴

Similarly, a co-owner may transfer or assign all of his or her individual

interest in the work without the consent of the other co-owners, but may not transfer or assign all interest in the work without the consent of the other co-owners.⁵ A co-owner by assignment is immune from an infringement claim by the other co-owner.⁶

THE DAVIS V. BLIGE DISPUTE

In December of 2003, Sharice Davis brought a copyright infringement action against popular recording artist Mary J. Blige and others regarding two songs on Blige’s hit 2001 album *No More Drama*. Davis alleged that she co-wrote the disputed compositions “LOVE” and “Keep It Moving” in 1998 with nonparty Bruce Chambliss. The album lists multiple writers for the two songs, including Mary J. Blige and Chambliss’ son, defendant Bruce Miller, but credits neither Davis nor Chambliss.

After Davis filed suit, Chambliss granted his interest, as a co-owner, in the two songs to Miller. Chambliss claimed that he and Miller had orally agreed to a certain transfer of rights sometime in late 1998. Miller, in turn, licensed the disputed compositions to the other defendants. One day before Chambliss’ deposition, Chambliss and Miller executed written transfer agreements for both songs, “effective as of the date [Chambliss] first created” the compositions. Defendants claimed that these agreements ratified in writing the prior oral agreement between Chambliss and Miller.

Defendants contended that as a result of the transfer agreements, Miller became a co-owner of the disputed compositions. Because one co-owner cannot sue another co-owner for infringement, defendants argued that Davis’ suit was barred against Miller and those to whom Miller had licensed the compositions.

The District Court for the Southern District of New York agreed, holding that “past infringement” could be “cure[d]” through the grant of a ret-

roactive assignment or license of the copyright.⁷ Finding that factual questions existed regarding the alleged prior oral agreement, the district court declined to determine whether the written ratification of a prior oral transfer could satisfy the Copyright Act’s requirement that transfers be in writing under 17 U.S.C. § 204(a), or whether the transfer agreements effectively ratified a prior oral agreement between Chambliss and Miller. Instead, the district court held that the later written agreements were sufficient to defeat Davis’ claims.

In so holding, the district court relied on several district court decisions, including *Country Road Music, Inc. v. MP3.com, Inc.*,⁸ holding that a retroactive license barred an infringement claim by remaining co-owners and cured past infringement. Based in part on *Country Road Music*, the *Davis* court concluded that such retroactive transfers have been “consistently upheld . . . even where the plaintiff in the action is the other co-owner of the copyright and the retroactive license or transfer by one co-owner serves to bar the infringement claim of the other co-owner.”⁹

Because an author cannot infringe his own copyright, the *Davis* court concluded that Chambliss’ transfer to Miller defeated Davis’ claims not only against Miller, but also against Blige and the other defendants who were in privity of contract with Miller. Davis appealed and the Second Circuit reversed.

THE SECOND CIRCUIT’S DECISION

At the outset of its decision, the Second Circuit reviewed the general principles of copyright law underlying the dispute. The Second Circuit then turned to the question “of first impression” at issue, namely, “whether an action for infringement by one coauthor of a song can be defeated by a ‘retroactive’ transfer of copyright ownership from another coauthor to an alleged infringer.”¹⁰

The Second Circuit began its analysis by distinguishing the precedents relied on by the district court as cases involving “retroactive licenses granted pursuant to negotiated settlements of accrued infringement claims.”¹¹ The court noted that licenses and assignments function differently from settlements and releases. In particular, the court observed that a retroactive license or assignment “purports to authorize a past use that was originally unauthorized.”¹² Thus, the court found that, “[u]nlike a settlement, which recognizes an unauthorized use but waives a settling owner’s accrued claims of liability, a retroactive license or assignment would, if given legal effect, erase the unauthorized use from history with the result that the nonparty co-owner’s right to sue for infringement, which accrues when the infringement first occurs, is extinguished.”¹³

The Second Circuit hinged its conclusion on its determination that a settlement agreement “can only waive or extinguish claims held by a settling owner; it can have no effect on co-owners who are not parties to the settlement agreement.”¹⁴ In support of that proposition, the court cited to a “venerable principle of New York co-tenancy law” that “[o]ne tenant in common can settle for or release his interest in . . . personal property, but he cannot settle for or release the interest of his co-tenants. If one tenant in common should settle for his portion of the damages before action, the other may sue without joining him.”¹⁵

The Second Circuit further found that because the right to sue for infringement is “one of the most valuable ‘sticks’ of the ‘bundle of rights’ of copyright,” and the right would be extinguished by a rule permitting retroactive licenses, it was necessary to “examine carefully whether retroactive licenses and assignments that extinguish a co-owner’s accrued right to sue are consistent with the general principles of tort and contract law that underlie the accrual and settlement of infringement claims.”¹⁶ The court determined that retroactive licenses and assignments are contrary to principles of tort law because they extinguish the accrued infringement claims of a nonconsenting co-owner “by traveling back in time to ‘undo’

an unlawful infringement,” thus destroying the co-owner’s vested right to enforce his or her claim.¹⁷ The court further noted that “[a] retroactive license or assignment that purports to eliminate the accrued causes of action for infringement held by a co-owner who is not party to the license or assignment also violates the fundamental principle of contract law prohibiting the parties to a contract from binding non-parties.”¹⁸

The Second Circuit also looked to patent law for guidance, noting that “licenses in patent and copyright function similarly” and that the “prospective nature of licenses has long been recognized in the law of patents.”¹⁹

THE DECISION APPEARS TO PRECLUDE RETROACTIVE LICENSES OR ASSIGNMENTS OF COPYRIGHT IN ALL CIRCUMSTANCES.

In addition, the Second Circuit found that allowing retroactive licenses or assignments would contradict two important policy concerns: (1) the need for predictability and certainty in copyright ownership and (2) discouragement of infringement.²⁰ If retroactive licenses or assignments were permitted, the court reasoned, such a transfer could always undo an infringement by turning an infringer into a potential user or licensor. According to the court, one could never definitively determine if and when an infringement occurred or ascertain the pool of authorized users at a given time. The court also observed that the availability of retroactive licenses or assignments would lower the cost of infringement, thus making it more attractive. By being able to pay a single co-owner for a license or assignment, an infringer would be able to avoid liability for infringement and the potential of having to

pay statutory damages under the Copyright Act.²¹

Accordingly, the Second Circuit held that “a license or assignment in copyright can only act prospectively.”²²

Finally, the Second Circuit addressed the issue of whether Chambliss’ purported oral transfer of rights to Miller before the alleged infringement occurred was effectively “ratified” by their later written agreement. Defendants acknowledged that the Copyright Act requires all transfer agreements, including assignments, to be in writing but claimed that the earlier oral agreement was valid because it was ratified by the later written agreement. The court concluded that “the oral agreement cannot be ‘ratified’ retroactively by the [later written] agreements to defeat Davis’ accrued claims.”²³ Such ratification, in the court’s view, would “employ a legal fiction to . . . obtain a counterintuitive and inequitable result.”²⁴

LESSONS LEARNED, ISSUES RAISED

The Second Circuit’s analysis has potentially far-reaching implications. By holding that “a license or assignment in copyright can only act prospectively,” the decision appears to preclude retroactive licenses or assignments of copyright in all circumstances, even those where no co-owner exists. Under the court’s ruling, such a retroactive transfer may only be accomplished by means of a settlement, in which case its effect may only bind the parties to the settlement agreement.

However, retroactive copyright licenses or assignments are commonly granted. After the Second Circuit’s holding in *Davis II*, should those transfers now be considered null and void? Arguably, the court’s ruling should be confined to the facts of *Davis II*—where a retroactive license has the potential to cause harm to a non-consenting co-owner.

Moreover, although the Second Circuit purported to distinguish the decisions relied on by the district court, including *Country Road Music*, on the basis that they involved retroactive licenses granted pursuant to negotiated settlement agreements, the court did not reconcile its unequivocal statement that a settlement agreement “can have no effect on co-owners who are

not parties” with the fact that several of those decisions, including *Country Road Music*, explicitly allowed copyright co-owners to settle claims of past infringement on behalf of nonconsenting co-owners who were not parties to the settlement agreement. Accordingly, it remains unclear whether the Second Circuit intended to nullify the settlements in those cases insofar as they purport to bind nonsettling co-owners.

The Second Circuit’s decision in *Davis II*, however, makes one lesson loud and clear: A defendant settling a copyright infringement claim with one co-owner should also settle with any other co-owners in order to ensure final resolution of any such dispute. ❖

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1. 505 F.3d 90 (2d Cir. 2007) (“*Davis II*”).
2. See MELVIN B. NIMMER & DAVID NIMMER, 1 NIMMER ON COPYRIGHT §§ 6.03, 6.08.
3. See H.R. REP. NO. 94-1476, at 121 (1976); 1 NIMMER & NIMMER, *supra* note 2, §§ 6.10, 6.12.
4. See 1 NIMMER & NIMMER, *supra* note 2, § 6.10.
5. See *id.* § 6.11.
6. See *id.* § 6.10.
7. *Davis v. Blige*, 419 F. Supp. 2d 493, 499 (S.D.N.Y. 2005) (“*Davis*”).
8. 279 F. Supp. 2d 325 (S.D.N.Y. 2003).
9. *Davis*, 419 F. *supra* note 7, 499.
10. *Davis II*, *supra* note 1, at 93.
11. *Id.* at 101.
12. *Id.* at 103.
13. *Id.*
14. *Id.* at 102.
15. *Id.* (quoting *Jackson v. Moore*, 94 A.D. 504, 87 N.Y.S. 1101, 1103 (1904)).
16. *Id.* at 103.
17. *Id.*
18. *Id.*
19. *Id.* at 104.
20. See *id.* at 104–05.
21. 17 U.S.C. § 504.
22. *Davis II*, *supra* note 1, at 104-05.
23. *Id.* at 107.
24. *Id.* at 108.